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FCC Mail Room

Mr. Julius Genachowski
Federal Communication Commission chairman
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

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T-mobile AT&T merger

Dear Mr. Julius Genachowski,

My name is Mitesh konjeti, and I'm a current customer of T-Mobile USA. I speak not only for myself, but for all cell phone users in America when I say that the recent acquisition bid from AT&T for T-Mobile USA, for 39 billion, is a grave mistake. Before I express my concern, I must admit that AT&T has publically proclaimed honest motifs for its intentions. Facing ever increasing data traffic on its cell towers due to increased usage of I-phones, and all smart phones for that matter, AT&T stands to greatly benefit from this merger. By expanding its current load from its existing 1900 MHz radio to the 1700-2000 MHz spectrum owned by T-Mobile, AT&T would gain increased call quality, coverage, and data speeds. Moreover, AT&T would have the ability to expand from its 3g to a faster 4G LTE service without having to waste the time building its own cell towers. What AT&T has not proclaimed, and what the FCC shall not lose perspective of, is that the dissipation of T-Mobile gives AT&T and Verizon and 80% stake in the cell market. The expulsion of T-Mobile from the market would not only rob consumers of a significantly cheaper alternative, but it would leave Sprint as the only line of defense against a market controlled by a duopoly of AT&T and Verizon. Such a scenario would not only put the state of competition in the markets at risk, it would gift Verizon and AT&T with significant price control in the markets as well.

Already struggling in the current market to compete with Verizon and AT&T, Sprint, following AT&T's merger, does not stand much of a chance succeeding as a lone competitor against these companies. Already significantly smaller then Verizon, Sprint would be half the size of AT&T once it acquires 35 million extra consumers from its merger. It is the mammoth size of its competitors that makes Sprint such an unlikely contender. First of all, AT&T and Verizon's significantly larger scales of production allows them to spread their larger overhead total costs over a larger amount of output. This enhanced efficiency allows AT&T and Verizon to have relatively lower long run average total costs and, therefore, significantly larger economies of scale then Sprint. Moreover, AT&T and Verizon, due to their 80 percent share of the market, command significantly larger demand than Sprint as well. Their lower long run ATC average total cost and high demand puts AT&T and Verizon in position to achieve a high economic profit. Moreover, it also gives both companies the opportunity to practice limit pricing and reduce their prices to a point where Sprint can't compete. With nearly 50 million consumers Sprint is an economy of scale as well, but it will not be able to spread its total costs as efficiently as AT&T. In

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addition, due to its lesser size, Sprint can't expect that its employees be able to achieve a similar amount of productivity that AT&T and Verizon's employees will possess. According to its quarterly reports, in the past two quarters Sprint has already lost 101,000 customers. In addition to that, Sprint has supposedly increased its losses to 847 million from 760 million last year. I don't have the confidence that Sprint, in a situation of price limiting, would be able to reduce its costs enough to compete effectively with AT&T. It seems likely that Sprint would be put in risk of being driven out of business.

If not through the intentional and aggressive tactics of limit pricing, AT&T and Verizon, once again due to their great magnitude, could simply let the market take its natural course to decimate Sprint. According to Network effects, the value of a product to a user grows as the number of users rise. In the case of wireless providers Network effects are prevalent for cell phone providers as well as wireless customers. Cell phone providers, logically, are more willing to license their phones to wireless providers with more consumers since they will sustain larger net revenue. Since the nation's current four providers, T-Mobile, AT&T, Sprint, and Verizon, all allow free calling within their network, customers are likely to show more value to providers with a larger consumer base. Sprint, with a consumer base significantly lower than Verizon and half the size of AT&T, is a loser in both of these aspects. As Jim Cramer of CNBC points out, Sprint, due to its smaller size, already pays more for its cell phone devices than other providers. AT&T and Verizon, on the other hand, can leverage their high consumer base to negotiate even cheaper prices for their handsets. Moreover, even if its prices are slightly cheaper, there is a small chance a consumer will choose Sprint. When a consumer can enjoy a greater variety in phones and greater savings for being able to talk for free with acquaintances over the larger networks of AT&T and Verizon, Sprint is more likely to be ignored than considered. Sprint does not have the ability to compete pricewise if AT&T and Verizon choose to employ aggressive limit pricing. In the case that both AT&T and Verizon keep their price ranges constant, they are more likely to take new potential customers because of increased value due to Network effects. It is unlikely that Sprint would be able to hold its ground against Verizon and AT&T. Even if Verizon is not driven out of business, it will have to decrease its scale of operations in order to survive.

Through its duration T-Mobile was an effective check to the market with its relatively cheap data and talk plans. An unlimited plan costs fifty dollars at T-Mobile while a similar plan costs 80 dollars at AT&T. With T-Mobile's consumption and the likely destruction of Sprint, the market lies in the hands of a duopoly of AT&T and Verizon. This is not to say that AT&T and Verizon are going to collude and set prices accordingly to benefit them. Not only is colluding illegal but it is unlikely AT&T and Verizon would take the risk. This does not mean that either AT&T or Verizon can act as a price leader and set its prices through public announcements and press releases. Standing to become the largest wireless provider in the US with its merger with T-Mobile, AT&T would have the size and power to be the price leader. The fact that T-Mobile and AT&T have control of price doesn't mean that they will fluctuate intensely. Due to common psychology, and the kinked demand curve of oligopolies, once a price has been agreed upon it remains stable. If either company chooses to decrease its price to increase the quantity of consumers, the other company will decrease its price as well. If a company chooses to increase its price, the other won't increase its price in order to be the more appealing alternative to consumers. If AT&T and Verizon consolidate their prices at higher levels than now, it doesn't matter what price both companies stay consistent at.

My argument would be different if Sprint were a significantly larger company. A Greater scale of production leads to lower average total costs, higher chances for profit, and more demand from customers. I am in fact a subscriber to T-Mobile, and I consider them the most affordable deal in the current market. AT&T has proclaimed that it will let T-Mobile users still hold onto their contracts. With contracts lasting on an average of two years, what would customers do afterwards? The next cheapest alternative would be Sprint. As I have stated in my argument, as a last line of defense between a competitive market and one dominated by the oligopoly of AT&T and Verizon, Sprint doesn't stand much of a chance. While in the process, AT&T and Verizon may attempt to decrease their prices to intimidate Verizon, and maybe even to prevent new competition, but this period would only be a short period of triumph for consumers. As a duopoly with full control of the market, AT&T and Verizon would be able to increase their prices at will. Since they would be the only options to a well needed resource, consumers would have to pay the extra price. T-Mobile as a fourth player in the market allows competition to prosper, and keeps wireless bill charges down. I speak for myself as a consumer and all others around me when I say that I strongly and passionately hope that the FCC opposes this merger. Thank you for taking the time to consider my proposal.

Sincerely,

Mitesh Konjeti